

OKANOGAN SCHOOL DISTRICT No. 105
Okanogan County, Washington
September 1, 1991 Through August 31, 1993

Schedule Of Findings

1. The District Should Establish And Document Eligibility Under Impact Aid Public Law 81-874

During our audit of the district's Impact Aid, Public Law 81-874 grant program, we evaluated the district's "Application for School Assistance In Federally Impacted Areas" for the fiscal years ended August 31, 1993 and 1992. We noted the following conditions:

- a. The district was unable to provide adequate documentation to support the number of students reported as eligible under Section 3(a) or 3(b) of Public Law 81-874. In order to meet the requirements for eligibility under one of these sections the student must:
 - (1) Reside on eligible Indian lands, or
 - (2) Reside on federal property, or
 - (3) Reside with a parent employed on federal property, or
 - (4) Reside with a parent who is in active duty in the uniformed services.
- b. Some students claimed as federally connected handicapped children under Section 3(d)(2)(C) of Public Law 81-874 were not enrolled in the district's handicapped program. In order to meet the requirements for eligibility under this section the student must be claimed under Section 3(a) or 3(b) and, in addition to other criteria:
 - (1) Be handicapped or have a specific learning disability, and
 - (2) Be enrolled in a program that conforms to state standards for handicapped children.

As a result of these conditions the district has received or will receive approximately \$19,162 in federal assistance to which it is not entitled, as shown in the attached Schedule of Questioned Costs.

These conditions occurred because district officials lacked the training and understanding necessary to properly complete the application and document the eligibility of students. Internal controls did not exist to prevent or detect the errors.

We recommend the district and the U.S. Department of Education review this grant program and the related questioned costs, and that the district refund to the U.S. Department of Education all federal funds for which the district was not eligible. We further recommend the district establish and implement an internal control system to ensure the application for federal assistance is accurately completed and supported.

2. The District Should Remit Excess Federal Funds To The Grantor

The U.S. Department of Education, under the terms of Public Law (PL) 81-874, provided the district \$15,156 in the 1991/92 school year and \$15,156 in the 1992/93 school year for the purpose of supporting the district's program for handicapped children. As shown below, the district did not utilize all of these funds for its handicapped program.

| | <u>1991/92</u> | <u>1992/93</u> |
|--|-----------------|------------------|
| Revenues: | | |
| Federal Handicapped (not PL 81-874) | \$ 0 | \$ 34,128 |
| State Handicapped | 253,070 | 383,416 |
| Expenditures: | | |
| Federal Handicapped | 0 | 36,496 |
| State Handicapped | 261,099 | 326,617 |
| Indirect costs claimed | <u>0</u> | <u>39,194</u> |
| Unfunded expenditures (expenditures in excess of revenues) | 8,029 | 0 |
| PL 81-874 revenues for handicapped | <u>15,156</u> | <u>15,156</u> |
| PL 81-874 revenues in excess of unfunded expenditures | <u>\$ 7,127</u> | <u>\$ 15,156</u> |

The district did not have controls in place which would ensure a comparison of grant receipts to the related grant expenditures, therefore, it was not aware that all handicapped program funds had not been expended.

The U.S. Office of Management and Budget's *Compliance Supplement for State and Local Governments*, General Requirements for Cash Management, states in part:

Grantee financial management systems shall include procedures to minimize the time elapsed between the transfer of funds from the U.S. Treasury and the disbursement of funds by the grantee.

In addition, the "Common Rule" for *Uniform Administrative Requirements for Grants and Cooperative Agreements With State and Local Governments*, Subpart C, Section .21(i) Interest Earned on Advances, states in part:

. . . grantees and subgrantees shall promptly, but at least quarterly, remit interest earned on advances to the Federal agency. The grantee or subgrantee may keep interest amounts up to \$100 per year for administrative expenses.

We did not calculate potential interest earnings on the excess funds.

We recommend that the district remit to the grantor the excess funds and any interest earned over \$100 per year. The amount of excess funds may be affected by the results of the U.S. Department of Education's review of the questioned costs discussed in Federal Finding 1. We further recommend the district establish and implement an internal control system to monitor and compare all grant program receipts to related expenditures.